

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

DISCOVER FINANCIAL SERVICES NSA)	MC2015-3
DISCOVER FINANCIAL SERVICES NSA)	R2015-2

Notice of Filing of Statement of Harit Talwar
Chief Marketing Officer of Discover Financial Services
(October 28, 2014)

Discover Financial Services (Discover) hereby gives Notice of the Filing of a Statement by Harit Talwar, Discover's Executive Vice President, President–U.S. Cards, and Chief Marketing Officer in the above referenced dockets. Mr. Talwar's Statement is being submitted in support of the Negotiated Service Agreement (NSA) reached between the Postal Service and Discover under review in these dockets. The purpose of the Statement is to show the Commission and its staff how Discover markets, so that they can appreciate why this NSA is important for helping mail maintain and grow its position among the various marketing channels that Discover uses.

Discover is a direct bank and payment company, and one of the largest issuers of general purpose credit cards in the United States. Discover also offer personal loans, home loans, student loans, and a variety of deposit products, and has a relationship with 25 percent of U.S. Households. Discover is also a leading rewards and customer loyalty company, and the only credit card issuer that handles 100 percent of its customer service in the United States, through employees. Discover is a significant

First Class and Standard mailer, and is proud to be one of the pioneers in the field of Negotiated Service Agreements. In the credit card industry, Discover built its company and its brand by always challenging the status quo.

In the Statement being filed today, Mr. Talwar points out that Discover uses a dozen different marketing channels, nine of which are targeted marketing channels. One of those nine channels is Direct Mail while the others are all digital channels. His Statement points out that there is fierce competition for Discover's marketing dollars among the nine channels.¹

Moreover, that competitive context is not some fanciful academic notion. As Mr. Talwar's Statement reveals, last year, for the first time, more of Discover's new accounts were acquired through digital channels than through the mail channel. That is significant. That makes digital marketing, not mail, Discover's prime means of acquisition, although mail is still critical. Finally, Mr. Talwar points out that Discover has been shifting marketing dollars out of mail and into its digital channels, despite the gains that were made through its previous NSA.

Given this change, Mr. Talwar points out that but for this NSA, Discover would be moving even more marketing dollars out of mail and into digital. Thus, because of this competitive environment, the primary business dynamic at play here is *not* one of a declining block discount, where incremental discounts causally yield additional incremental mail pieces. Rather, the dynamic is more fundamental, that of increasing

¹ Discover would like to stress that it is *not suggesting* that this NSA should be considered a competitive NSA. We understand that products covered by the postal monopoly are not eligible to be transferred to the Competitive list under 39 U.S.C. §3642(b)(2), and thus this NSA must be a market dominant NSA. Nevertheless, if the Commission is to understand the context in which this NSA will play out in Discover's marketing, and whether it will put the Postal Service in a better financial position, it must understand that that context is a competitive one.

the value of the overall postal product, so that that it can more effectively compete against eight other targeted marketing channels for Discover's marketing dollars.² A new NSA will enhance the competitive position of mail—to the mutual benefit of Discover and the Postal Service.

Respectfully submitted,

/s/ Robert J. Brinkmann
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² Since all the mail that will be mailed under this NSA is Discover's own mail, there is no potential for this NSA to create a situation where increased Discover mail is diverted from other mailers. Thus there should be no harm to any marketplace, much less an unreasonable harm. Moreover, all of Discover's mail is covering its costs. Consequently, there are no 3622c(10)(B) concerns here.